

**REPORT OF THE AUDIT OF THE
FRANKLIN COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2014**



**ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
FRANKLIN COUNTY FISCAL COURT

June 30, 2014

The Auditor of Public Accounts has completed the audit of the Franklin County Fiscal Court for fiscal year ended June 30, 2014.

We have issued an unmodified opinion, based on our audit, on the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Franklin County, Kentucky.

Financial Condition:

The Franklin County Fiscal Court had total receipts of \$23,778,921 and disbursements of \$29,478,479 in fiscal year 2014. This resulted in a total ending fund balance of \$7,434,374, which is a decrease of \$5,289,802 from the prior year.

Report Comments:

2014-001 The Fiscal Court Has A Lack Of Segregation Of Duties Over Receipts And Reconciliations

Deposits:

The fiscal court deposits were insured and collateralized by bank securities or bonds.

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ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Lori H. Flanery, Secretary

Finance and Administration Cabinet

Honorable Huston Wells, Franklin County Judge/Executive

Honorable Ted Collins, Former Franklin County Judge/Executive

Members of the Franklin County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Franklin County, Kentucky, for the year ended June 30, 2014, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in more fully in Note 1, the financial statement is prepared by Franklin County, Kentucky on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Franklin County, Kentucky as of June 30, 2014, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of Franklin County, Kentucky as of June 30, 2014, and its cash receipts and disbursements, for the year then ended, in accordance with the accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of Franklin County, Kentucky. The budgetary comparison schedules and capital asset schedule are presented for purposes of additional analysis and are not a required part of the financial statement, however they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. The budgetary comparison schedules and capital asset schedule have been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules and capital asset schedule are fairly stated in all material respects in relation to the basic financial statement.

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Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 27, 2015 on our consideration of Franklin County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comment and recommendation included herein, which discusses the following report comment:

2014-001 The Fiscal Court Has A Lack Of Segregation Of Duties Over Receipts And Reconciliations

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Adam H. Edelen', with a long horizontal line extending to the right.

Adam H. Edelen
Auditor of Public Accounts

May 27, 2015

FRANKLIN COUNTY OFFICIALS

For The Year Ended June 30, 2014

Fiscal Court Members:

Ted Collins	Former County Judge/Executive
Jill E. Robinson	Magistrate
Philip E. Kring	Magistrate
Don Sturgeon	Magistrate
Larry B. Perkins	Magistrate
Lambert Moore	Magistrate

Other Elected Officials:

Rick Sparks	County Attorney
Rick Rodgers	Jailer
Jeff Hancock	County Clerk
Sally Jump	Circuit Court Clerk
Pat Melton	Sheriff
Patsy Conway	Property Valuation Administrator
William C. Harrod	Coroner

Appointed Personnel:

Susan Laurenson	County Treasurer
Laura Chilton	Occupational Tax Collector

FRANKLIN COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2014

FRANKLIN COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2014

	Budgeted Funds			Local Government Economic Assistance Fund
	General Fund	Road Fund	Jail Fund	
RECEIPTS				
Taxes	\$ 10,850,245	\$	\$	\$
Excess Fees	543,858			
Licenses and Permits	109,745			
Intergovernmental	1,002,492	1,585,013	1,705,470	171,551
Charges for Services	231,404		68,013	
Miscellaneous	2,494,455	81,562	156,552	
Interest	8,758			
Total Receipts	<u>15,240,957</u>	<u>1,666,575</u>	<u>1,930,035</u>	<u>171,551</u>
DISBURSEMENTS				
General Government	4,353,170	10,660		
Protection to Persons and Property	678,693		2,586,098	
General Health and Sanitation	1,628,295			
Social Services	391,276			
Recreation and Culture	513,757			
Roads		2,046,211		46,975
Debt Service	227,871		136,720	
Capital Projects	564,302			
Administration	2,171,182	273,836	648,593	
Total Disbursements	<u>10,528,546</u>	<u>2,330,707</u>	<u>3,371,411</u>	<u>46,975</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>4,712,411</u>	<u>(664,132)</u>	<u>(1,441,376)</u>	<u>124,576</u>
Other Adjustments to Cash (Uses)				
Borrowed Money				
Transfers From Other Funds	151,687	700,000	1,500,000	
Transfers To Other Funds	(4,200,000)			
Total Other Adjustments to Cash (Uses)	<u>(4,048,313)</u>	<u>700,000</u>	<u>1,500,000</u>	
Net Change in Fund Balance	664,098	35,868	58,624	124,576
Fund Balance - Beginning	3,753,305	1,522	7,033	125,408
Fund Balance - Ending	<u>\$ 4,417,403</u>	<u>\$ 37,390</u>	<u>\$ 65,657</u>	<u>\$ 249,984</u>
Composition of Fund Balance				
Bank Balance	\$ 4,456,268	\$ 105,121	\$ 87,465	\$ 249,984
Less: Outstanding Checks	(38,865)	(67,731)	(21,808)	
Fund Balance - Ending	<u>\$ 4,417,403</u>	<u>\$ 37,390</u>	<u>\$ 65,657</u>	<u>\$ 249,984</u>

The accompanying notes are an integral part of the financial statement.

FRANKLIN COUNTY
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
 IN FUND BALANCES - REGULATORY BASIS
 For The Year Ended June 30, 2014
 (Continued)

Budgeted Funds				
CDBG/Federal Special Project Fund	Fire Protection Fund	Special Reserve Fund	Capital Projects Fund	Debt Service Fund
\$	\$ 1,885,902	\$	\$	\$
16,862	186,821			
	500			
16,862	2,073,223			
16,862	2,654,392			
		380,000		
			82,810	
			935,958	
	1,258,310			
16,862	3,912,702	380,000	1,018,768	
	(1,839,479)	(380,000)	(1,018,768)	
			409,756	
	1,900,000		100,000	
	1,900,000		509,756	
	60,521	(380,000)	(509,012)	
83,200		500,000	637,935	1,409,334
\$ 83,200	\$ 60,521	\$ 120,000	\$ 128,923	\$ 1,409,334
\$ 83,200	\$ 68,964	\$ 500,000	\$ 138,958	\$ 1,409,334
	(8,443)	(380,000)	(10,035)	
\$ 83,200	\$ 60,521	\$ 120,000	\$ 128,923	\$ 1,409,334

The accompanying notes are an integral part of the financial statement.

FRANKLIN COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2014
(Continued)

	Unbudgeted Funds		
	Jail Commissary Fund	Public Properties Corporation Fund	Total Funds
RECEIPTS			
Taxes	\$	\$	\$ 12,736,147
Excess Fees			543,858
Licenses and Permits			109,745
Intergovernmental			4,668,209
Charges for Services			299,417
Miscellaneous	504,820	2,167,758	5,405,647
Interest		7,140	15,898
Total Receipts	<u>504,820</u>	<u>2,174,898</u>	<u>23,778,921</u>
DISBURSEMENTS			
General Government	462,007		4,825,837
Protection to Persons and Property			5,936,045
General Health and Sanitation			1,628,295
Social Services			391,276
Recreation and Culture			893,757
Roads			2,093,186
Debt Service		2,167,757	2,615,158
Capital Projects		5,242,744	6,743,004
Administration			4,351,921
Total Disbursements	<u>462,007</u>	<u>7,410,501</u>	<u>29,478,479</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>42,813</u>	<u>(5,235,603)</u>	<u>(5,699,558)</u>
Other Adjustments to Cash (Uses)			
Borrowed Money			409,756
Transfers From Other Funds			4,351,687
Transfers To Other Funds		(151,687)	(4,351,687)
Total Other Adjustments to Cash (Uses)		<u>(151,687)</u>	<u>409,756</u>
Net Change in Fund Balance	42,813	(5,387,290)	(5,289,802)
Fund Balance - Beginning	118,394	6,088,045	12,724,176
Fund Balance - Ending	<u>\$ 161,207</u>	<u>\$ 700,755</u>	<u>\$ 7,434,374</u>
Composition of Fund Balance			
Bank Balance	\$ 174,525	\$ 700,755	\$ 7,974,574
Less Outstanding Checks	<u>(13,318)</u>		<u>(540,200)</u>
Ending Fund Balance	<u>\$ 161,207</u>	<u>\$ 700,755</u>	<u>\$ 7,434,374</u>

The accompanying notes are an integral part of the financial statement.

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TO THE FINANCIAL STATEMENT**

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FRANKLIN COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2014

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Franklin County includes all budgeted and unbudgeted funds under the control of the Franklin County Fiscal Court. Budgeted funds included within the reporting entity are those funds presented in the county's approved annual budget and reported on the quarterly reports submitted to the Department for Local Government. Unbudgeted funds may include non-fiduciary financial activities that are within the county's control. Unbudgeted funds may also include any corporation to act as the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

B. Basis of Accounting

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board. This basis of accounting involves the reporting of fund balances and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

This regulatory basis of accounting differs from GAAP primarily because the financial statement format does not include the GAAP presentations of government-wide and fund financial statements, cash receipts are recognized when received in cash rather than when earned and susceptible to accrual, and cash disbursements are recognized when paid rather than when incurred or subject to accrual.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

FRANKLIN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Road Fund - This fund is for road and bridge construction and repair. The primary source of receipts for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are grants from the state and federal governments.

CDBG/Federal Special Project Fund - The primary purpose of this fund is to account for grants and related expenditures. The primary sources of revenues for this fund are grants from the state and federal governments.

Fire Protection Fund - The primary purpose of this fund is to account for fire commission receipts from the state fire commission.

Debt Service Fund - This fund is reserve funds for debt service.

Special Reserve Fund - This fund was established to show commitment for a joint community wide aquatics facility.

Capital Acquisition/Improvement Fund - County facilities are needed to provide space for Sheriff's office and a new fire station. In addition, existing aged facilities are in need of major repairs including roofing and windows.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit and to enhance the well-being of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Commissary Fund.

Public Properties Corporation Fund - This fund issued debt for the construction of the Justice Center. This fund has receipts from the Administrative Office of the Courts in the amount necessary to make the debt payments associated with the Justice Center.

FRANKLIN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed disbursement to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Jail Commissary Fund to be budgeted because the fiscal court does not approve the expenses of these funds.

The State Local Finance Officer does not require the Public Facilities Construction Corporation Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

E. Franklin County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Franklin County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of Franklin County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

FRANKLIN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments

The government's fund balance is considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition. The government's fund balance includes cash and cash equivalents and investments.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

G. Long-term Obligations

The fund financial statement recognizes bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as disbursements. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as disbursements. Debt proceeds are reported as other adjustments to cash.

Note 2. Deposits

The fiscal court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2014, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

FRANKLIN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2014.

	General Fund	Total Transfers In
General Fund	\$	\$ 151,687
Road Fund	700,000	700,000
Jail Fund	1,500,000	1,500,000
Fire Protection Fund	1,900,000	1,900,000
Capital Improvements Fund	100,000	100,000
Public Properties Corporation Fund	151,687	
Total Transfers Out	<u>\$ 4,351,687</u>	<u>\$ 4,351,687</u>

Reason for transfers:

To move resources from and to the General Fund and other funds, for budgetary purposes, to the funds that will expend them.

Note 4. Receivable

In January 2004, Franklin County Fiscal Court entered into a lease agreement to borrow \$69,000 for the purchase of a 5-ton overhead crane for RJ Industries, who delivered an irrevocable letter of credit for the entire loan amount. The County agreed to make the payments and they were to be reimbursed by RJ Industries. The \$69,000 loan proceeds were received by the County but were then paid to RJ Industries. The loan was paid off during the fiscal year 2009, which was a year ahead of schedule. RJ Industries defaulted on the associated receivable and a balance of \$6,653 remains owed to Franklin County.

Note 5. Long-term Debt

A. Revenue Bonds – Jail Facilities

The Kentucky Local Correctional Construction Authority (KLCFCA) an independent corporate agency and instrumentality of the Commonwealth of Kentucky, issues revenue bonds for the purpose of construction and reconstruction of jail facilities. The Authority issued \$6,681,057 of revenue bonds at various interest rates of which the county has agreed to pay \$2,032,019 principal and proportional share of interest on the issue. In October 2004, the KLCFCA refunded these bonds. As a result, the County entered into a second agreement on October 1, 2004 with the Authority in order to provide for the reduction of the County's rental payments due under the lease with respect to the project consequent to the issuance of the refunding bonds. Revenue bonds outstanding at June 30, 2014 are \$132,277. Future debt service requirements follow:

Fiscal Year Ended	Principal	Interest
2015	\$ 132,277	\$ 4,193
Totals	<u>\$ 132,277</u>	<u>\$ 4,193</u>

FRANKLIN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 5. Long-term Debt

B. First Mortgage Revenue Bonds Series 2011A - Public Properties Corporation

On May 3, 2011, the Franklin County Public Properties Corporation issued \$5,125,000 in First Mortgage Revenue Bonds, Series 2011A, dated May 3, 2011 with semi-annual interest payments beginning October 1, 2011 at varying rate of 4.3% to 4.5%. Principal payments on the debt begin on April 1, 2029. The debt was issued to retire the Bond Anticipation Renewal Notes, Series 2010. As of June 30, 2013, bonds outstanding were \$5,125,000. Future principal and interest requirements are:

Fiscal Year Ended	Principal	Interest
2015	\$	\$ 227,490
2016		227,490
2017		227,490
2018		227,490
2019		227,490
2020-2024		1,137,450
2025-2029	1,080,000	1,137,450
2030-2031	4,045,000	273,200
Totals	<u>\$ 5,125,000</u>	<u>\$ 3,687,550</u>

C. First Mortgage Revenue Bonds Series 2011B - Public Properties Corporation

On May 3, 2011, the Franklin County Public Properties Corporation issued \$23,890,000 in First Mortgage Revenue Bonds, Series 2011B, dated May 3, 2011 payable in 18 annual principal installments beginning April 1, 2012 with semi-annual interest payments at varying rates of 3.0% to 5.0% beginning October 1, 2011. These bonds were used for the construction of the Justice Center Project.

The Corporation entered into a contract lease and option with the Administrative Office of the Courts (AOC), Commonwealth of Kentucky (98%) and Franklin County Fiscal Court (2%) for the Justice Center Project. As of June 30, 2014, bonds outstanding were \$20,625,000. Future principal and interest requirements are:

Fiscal Year Ended	Principal	Interest
2015	\$ 1,120,000	\$ 821,700
2016	1,155,000	788,100
2017	1,190,000	753,450
2018	1,225,000	717,750
2019	1,260,000	681,000
2020-2024	7,060,000	2,657,450
2025-2029	7,615,000	1,020,188
Totals	<u>\$ 20,625,000</u>	<u>\$ 7,439,638</u>

FRANKLIN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 5. Long-term Debt (Continued)

C. Lease-Pumper Truck

On September 20, 2013, the Franklin County Fiscal Court entered into a five year lease agreement with Kentucky Association of Counties Leasing Trust (KACoLT) for a pumper truck for the fire department in the amount of \$409,766 with monthly principal and interest payments. As of June 30, 2014, outstanding balance was \$348,301. Future principal and interest requirements are:

Fiscal Year Ended	Principal	Interest
2015	\$ 81,953	\$ 14,338
2016	81,953	10,584
2017	81,953	6,777
2018	81,953	2,889
2019	20,489	158
Totals	<u>\$ 348,301</u>	<u>\$ 34,746</u>

D. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	\$ 27,091,668	\$	\$ 1,209,371	\$ 25,882,297	\$ 1,252,277
Financing Obligations		409,766	68,294	341,472	75,124
Total Long-term Debt	<u>\$ 27,091,668</u>	<u>\$ 409,766</u>	<u>\$ 1,277,665</u>	<u>\$ 26,223,769</u>	<u>\$ 1,327,401</u>

Note 6. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 18.89 percent.

FRANKLIN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 6. Employee Retirement System (Continued)

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 35.70 percent.

The county's contribution for FY 2012 was \$1,991,476, FY 2013 was \$2,092,325, and FY 2014 was \$2,112,355.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Hazardous employees whose participation began on or after July 1, 2003, earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

FRANKLIN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 7. Deferred Compensation

The Franklin County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 8. Insurance

For the fiscal year ended June 30, 2014, Franklin County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 9. Prior Period Adjustment

There is a \$27 difference between the FY 2013 ending general fund balance and the FY 2014 beginning balance due to immaterial liabilities for withholdings that have been reported and reconciled in the budgetary information notes.

FRANKLIN COUNTY
BUDGRTARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2014

FRANKLIN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2014

GENERAL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 10,254,000	\$ 10,263,327	\$ 10,850,245	\$ 586,918
Excess Fees	420,450	420,450	543,858	123,408
Licenses and Permits	118,000	118,000	109,745	(8,255)
Intergovernmental	1,378,000	1,398,870	1,002,492	(396,378)
Charges for Services	274,000	274,000	231,404	(42,596)
Miscellaneous	2,256,565	2,522,895	2,494,455	(28,440)
Interest	30,000	30,000	8,758	(21,242)
Total Receipts	<u>14,731,015</u>	<u>15,027,542</u>	<u>15,240,957</u>	<u>213,415</u>
DISBURSEMENTS				
General Government	5,063,059	5,276,073	4,353,170	922,903
Protection to Persons and Property	674,161	698,161	678,693	19,468
General Health and Sanitation	1,641,530	1,641,530	1,628,295	13,235
Social Services	382,502	400,002	391,276	8,726
Recreation and Culture	521,890	536,384	513,757	22,627
Debt Service	300,000	228,000	227,871	129
Capital Projects	257,500	698,425	564,302	134,123
Administration	2,244,608	2,453,202	2,171,182	282,020
Total Disbursements	<u>11,085,250</u>	<u>11,931,777</u>	<u>10,528,546</u>	<u>1,403,231</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>3,645,765</u>	<u>3,095,765</u>	<u>4,712,411</u>	<u>1,616,646</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			151,687	151,687
Transfers To Other Funds	<u>(5,616,829)</u>	<u>(5,616,829)</u>	<u>(4,200,000)</u>	<u>1,416,829</u>
Total Other Adjustments to Cash (Uses)	<u>(5,616,829)</u>	<u>(5,616,829)</u>	<u>(4,048,313)</u>	<u>1,568,516</u>
Net Change in Fund Balance	(1,971,064)	(2,521,064)	664,098	3,185,162
Fund Balance Beginning	<u>1,971,064</u>	<u>2,521,064</u>	<u>3,753,305</u>	<u>1,232,241</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,417,403</u>	<u>\$ 4,417,403</u>

FRANKLIN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,865,418	\$ 1,961,726	\$ 1,585,013	\$ (376,713)
Miscellaneous	29,000	49,402	81,562	32,160
Total Receipts	1,894,418	2,011,128	1,666,575	(344,553)
DISBURSEMENTS				
General Government	10,000	10,000	10,660	(660)
Roads	2,698,548	2,828,983	2,046,211	782,772
Administration	306,053	292,328	273,836	18,492
Total Disbursements	3,014,601	3,131,311	2,330,707	800,604
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,120,183)	(1,120,183)	(664,132)	456,051
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,102,575	1,102,575	700,000	(402,575)
Total Other Adjustments to Cash (Uses)	1,102,575	1,102,575	700,000	(402,575)
Net Change in Fund Balance	(17,608)	(17,608)	35,868	53,476
Fund Balance Beginning	17,608	17,608	1,522	(16,086)
Fund Balance - Ending	\$ 0	\$ 0	\$ 37,390	\$ 37,390

FRANKLIN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 1,560,305	\$ 1,560,305	\$ 1,705,470	\$ 145,165
Charges for Services	62,000	62,000	68,013	6,013
Miscellaneous	130,000	130,000	156,552	26,552
Total Receipts	1,752,305	1,752,305	1,930,035	177,730
DISBURSEMENTS				
Protection to Persons and Property	2,812,205	2,812,205	2,586,098	226,107
Debt Service	133,000	133,000	136,720	(3,720)
Administration	780,750	780,750	648,593	132,157
Total Disbursements	3,725,955	3,725,955	3,371,411	354,544
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,973,650)	(1,973,650)	(1,441,376)	532,274
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,973,650	1,973,650	1,500,000	(473,650)
Total Other Adjustments to Cash (Uses)	1,973,650	1,973,650	1,500,000	(473,650)
Net Change in Fund Balance			58,624	58,624
Fund Balance Beginning			7,033	7,033
Fund Balance - Ending	\$ 0	\$ 0	\$ 65,657	\$ 65,657

FRANKLIN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 167,000	\$ 167,000	\$ 171,551	\$ 4,551
Total Receipts	167,000	167,000	171,551	4,551
DISBURSEMENTS				
Roads	167,000	167,000	46,975	120,025
Total Disbursements	167,000	167,000	46,975	120,025
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			124,576	124,576
Net Change in Fund Balance			124,576	124,576
Fund Balance Beginning			125,408	125,408
Fund Balance - Ending	\$ 0	\$ 0	\$ 249,984	\$ 249,984

FRANKLIN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

CDBG/Federal Special Project FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 16,862	\$ (83,138)
Total Receipts	100,000	100,000	16,862	(83,138)
DISBURSEMENTS				
Protection to Persons and Property	100,000	100,000	16,862	83,138
Total Disbursements	100,000	100,000	16,862	83,138
Net Change in Fund Balance				
Fund Balance Beginning			83,200	83,200
Fund Balance - Ending	\$ 0	\$ 0	\$ 83,200	\$ 83,200

FRANKLIN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

FIRE FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 1,600,000	\$ 1,600,000	\$ 1,885,902	\$ 285,902
Intergovernmental	227,000	227,000	186,821	(40,179)
Miscellaneous			500	500
Total Receipts	<u>1,827,000</u>	<u>1,827,000</u>	<u>2,073,223</u>	<u>246,223</u>
DISBURSEMENTS				
Protection to Persons and Property	2,845,110	2,884,110	2,654,392	229,718
Administration	1,422,494	1,383,494	1,258,310	125,184
Total Disbursements	<u>4,267,604</u>	<u>4,267,604</u>	<u>3,912,702</u>	<u>354,902</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,440,604)</u>	<u>(2,440,604)</u>	<u>(1,839,479)</u>	<u>601,125</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>2,440,604</u>	<u>2,440,604</u>	<u>1,900,000</u>	<u>(540,604)</u>
Total Other Adjustments to Cash (Uses)	<u>2,440,604</u>	<u>2,440,604</u>	<u>1,900,000</u>	<u>(540,604)</u>
Net Change in Fund Balance			60,521	60,521
Fund Balance Beginning				
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 60,521</u>	<u>\$ 60,521</u>

FRANKLIN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

SPECIAL REVENUE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)
	Original	Final	
			Variance with Final Budget Positive (Negative)
RECEIPTS			
	\$	\$	\$
Total Receipts			
DISBURSEMENTS			
Recreation and Culture		380,000	380,000
Total Disbursements		380,000	380,000
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(380,000)	(380,000)
Net Change in Fund Balance		(380,000)	(380,000)
Fund Balance Beginning		380,000	500,000
Fund Balance - Ending	\$ 0	\$ 0	\$ 120,000

FRANKLIN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

CAPITAL PROJECTS FUND			
	Budgeted Amounts		Actual
	Original	Final	Amounts, (Budgetary Basis)
			Variance with Final Budget Positive (Negative)
RECEIPTS			
	\$	\$	\$
Total Receipts			
DISBURSEMENTS			
Debt Service	100,000	100,000	82,810
Capital Projects	2,039,000	2,039,000	935,958
Total Disbursements	2,139,000	2,139,000	1,018,768
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(2,139,000)	(2,139,000)	(1,018,768)
Other Adjustments to Cash (Uses)			
Borrowed Money	1,500,000	1,400,000	409,756
Transfers From Other Funds		100,000	100,000
Total Other Adjustments to Cash (Uses)	1,500,000	1,500,000	509,756
Net Change in Fund Balance	(639,000)	(639,000)	(509,012)
Fund Balance Beginning	639,000	639,000	637,935
Fund Balance - Ending	\$ 0	\$ 0	\$ 128,923

FRANKLIN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

DEBT SERVICE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)
	Original	Final	
			Variance with Final Budget Positive (Negative)
RECEIPTS			
	\$	\$	\$
Total Receipts			
DISBURSEMENTS			
Total Disbursements			
Net Change in Fund Balance			
Fund Balance Beginning			1,409,334
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,409,334

FRANKLIN COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2014

Note 1. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

Note 2. Excess of Disbursements Over Budgeted Appropriations

General Government disbursements in the Road Fund exceeded budgeted appropriations by \$660.
Debt Service disbursements in the Jail Fund exceeded budgeted appropriations by \$3,720.

FRANKLIN COUNTY
SUPPLEMENTARY SCHEDULE
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014

FRANKLIN COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2014

The fiscal court reports the following schedule of capital assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 3,751,480	\$ 370,934	\$	\$ 4,122,414
Construction in Progress	20,594,826	5,242,744		25,837,570
Buildings	17,619,870			17,619,870
Furniture and Equipment	4,548,888	864	113,030	4,436,722
Vehicles	5,632,985	711,436	336,275	6,008,146
Infrastructure	52,396,988	474,308		52,871,296
 Total Capital Assets	 <u>\$ 104,545,037</u>	 <u>\$ 6,800,286</u>	 <u>\$ 449,305</u>	 <u>\$ 110,896,018</u>

FRANKLIN COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - SCHEDULE OF CAPITAL ASSETS

June 30, 2014

Note 1. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported as other information. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	20
Land	\$ 1	
Buildings and Building Improvements	\$ 50,000	10-40
Machinery and Equipment	\$ 5,000	3-10
Vehicles	\$ 5,000	5
Infrastructure	\$ 100,000	25-50
Intangibles	\$ 5,000	3-40

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Huston Wells, Franklin County Judge/Executive
The Honorable Ted Collins, Former Franklin County Judge/Executive
Members of the Franklin County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Franklin County Fiscal Court for the fiscal year ended June 30, 2014 and the related notes to the financial statement and have issued our report thereon dated May 27, 2015. The Fiscal Court's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Franklin County Fiscal Court's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Franklin County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Franklin County Fiscal Court's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, which is described in the accompanying comment and recommendation as 2014-001 that we consider to be a significant deficiency.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Franklin County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

County Judge's Response to Finding

The Franklin County Judge's response to the finding identified in our audit is included in the accompanying comment and recommendation. The County Judge's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Adam H. Edelen', with a long horizontal flourish extending to the right.

Adam H. Edelen
Auditor of Public Accounts

May 27, 2015

**FRANKLIN COUNTY
COMMENT AND RECOMMENDATION**

For The Year Ended June 30, 2014

**FRANKLIN COUNTY
COMMENT AND RECOMMENDATION**

Fiscal Year Ended June 30, 2014

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY

2014-001 The Fiscal Court Has A Lack Of Segregation Of Duties Over Receipts And Reconciliations

During our review of controls over receipts, we noted that the County has a lack of segregation of duties over receipts and bank reconciliations because one employee prepares deposits, takes them to the bank, records receipts in the receipts ledger, prepares reports, and prepares the bank reconciliations. Adequate segregation of duties would prevent the same person from having a significant role in these incompatible functions. To adequately protect employees in the normal course of performing their assigned functions and to protect the County against inaccurate financial reporting, we recommend the County separate the duties in preparing and depositing receipts, recording transactions, preparing reports and bank reconciliations. If these duties cannot be segregated, strong oversight should be provided over the employee responsible. The employee providing oversight should document oversight procedures by initialing source documents.

County Judge/Executive Huston Wells' Response: We will take steps to implement procedures for stronger oversight. We will have the Administrative Assistant prepare all deposits. The Deputy Judge or designee will initial off on the deposits and review journal entries monthly.

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**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

FRANKLIN COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2014**

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
FRANKLIN COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2014

The Franklin County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

A handwritten signature in blue ink, appearing to read "H. Wells", is written over a horizontal line.

County Judge/Executive

A handwritten signature in blue ink, appearing to read "Anna Cameron", is written over a horizontal line.

County Treasurer

